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Role of the United Nations in promoting development in the context of globalization and interdependence

Report of the Secretary-General*

Summary

In compliance with General Assembly resolution 57/274 of 20 December 2002, the present report focuses on the effect of the increasing linkages among and interdependence of trade, finance, knowledge, technology and investment on poverty eradication and sustainable development in the context of globalization and includes action-oriented recommendations.

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* The document was submitted late to the conference services without the explanation required under paragraph 8 of General Assembly resolution 53/208 B, by which the Assembly decided that, if a report is submitted late, the reason should be included in a foonote to the document.

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I. Introduction

1. In the fundamental vision of the Millennium Declaration, managing globalization more effectively on behalf of poor people is central to achieving the Millennium Development Goals. The Goals are a package that holds unprecedented promise for improving development around the world — a promise that every country has pledged to keep.

2. Three years after the Declaration was adopted, Governments, international organizations and civil society organizations are reorienting their work around the Goals, but progress towards their achievement remains very uneven. Several of the promises of globalization have yet to materialize, and when they have materialized, benefits have been distributed very unevenly among and within countries, as have costs. Moreover, globalization has caused the costs of the recent economic slowdown to be shared unevenly as well, with the brunt of the setback suffered by the weakest countries. To ensure "that globalization becomes a positive force for all", as called for in the Declaration, it needs to be better managed.

3. International cooperation policies and a re-energized multilateralism are critical for that purpose. Truly development-friendly multilateral trading and financial systems hold especially great potential for a fair share of the benefits to be reaped by all countries, including the poorest ones. Thus, delivering on the promise of the Fourth Ministerial Conference of the World Trade Organzation (WTO) held at Doha from 9 to 13 November 2001, for a development round, as a significant contribution to meeting the Millennium Development Goals, remains of critical importance. It is also essential to fulfil the commitments contained in the Monterrey Consensus on systemic issues and official development assistance and to reorient development cooperation policies to help developing countries build the capacity to maximize the positive dynamics between technology, finance and trade and to progress towards the Goals.

4. The present report builds on the analysis contained in a previous report of the Secretary-General (A/56/445) with a similar focus and identifies a number of areas where further discussion at the intergovernmental level can help bridge the gaps and different perspectives and lead to collaborative actions on critical issues. Such discussion can also determine how the United Nations system can enhance its contribution to the realization of agreed goals. The report should be read in conjunction with the report of the Secretary-General on the Implementation of the Millennium Declaration (A/58/323), as well as the report of the Secretary-General on the Implementation of and Follow-up to Commitments and Agreements made at the International Conference on Financing for Development (A/58/216).

II. Is globalization in reverse?

5. Several recent developments in the globalization process have raised the question of whether the pace of globalization is suffering a temporary setback or could go into reverse, as it did in the early twentieth century. At that time, tragic political events accentuated a protectionist and contractional phase. From a closer look, beyond the overall sense of stagnation in some global trends, a much more nuanced picture emerges of this complex, multidimensional and uneven process.

6. The world economy is only beginning to recover from its slowdown in 2001. That was amplified by the burst of the information and communication technologies and equity bubbles in the developed countries and was perpetuated by heightened — and continuing — geopolitical uncertainties since the attacks of 11 September 2001. With the notable exception of China, India and some economies in transition, in the last couple of years a substantial number of developing countries, as well as some developed countries and economies in transition, experienced a decline in output per capita. Overall, the first few years of the new millennium have witnessed disappointing development for the majority of developing countries and an absolute setback for a number of them. A fledgling global recovery is forecast to accelerate in 2004. However, the overcapacity created by excessive investment in the 1990s, especially in the information and communication technologies sector, continues to have a dampening effect on the business investment necessary to sustain the recovery. Under the current outlook, few developing countries are expected to return to their desirable longer-term rates of growth before the end of 2004.[1]

7. Reflecting and contributing to the overall weakness in the world economy, both world trade and capital flows — driving forces of globalization — have shown significant sluggishness. After declining in 2001, for the first time since 1982, global trade grew by less than 2 per cent in 2002, well below the average growth rate of nearly 7 per cent achieved in the 1990s. The rebound continued in 2003 at levels significantly below those of the 1990s, but as the world economy accelerates in 2004, world trade should also gain further momentum. In spite of the recent slowdown in the growth of trade flows, the increasing importance of trade in the economies of developing countries is underscored by the rise of exports as a share of their gross domestic product (GDP) during the 1990s, from 20 to 30 per cent. That is double the increase for developed countries, where the same ratio rose from 18 to 23 per cent, and the trend continued during the slowdown. However, a large number of developing countries, particularly least developed countries, continue to remain marginalized from the global trading system.[2]

8. Meanwhile, global capital flows, which had risen throughout the 1990s and peaked in 2000, have experienced a drastic contraction since then and net flows to a number of developing countries have turned negative. In particular, foreign direct investment — the dominant source of external financing for developing countries — after surging during the 1990s, collapsed by around 50 per cent in 2001 and by a further 25 per cent last year. Despite the decline, foreign direct investment flows were a much more stable source of finance into developing countries than other types of flows, such as portfolio flows and commercial bank loans, which both turned negative. As a result, foreign direct investment is an increasingly dominant source of external financing for developing countries. Moreover, foreign direct investment stocks worldwide continued to expand (from an estimated $6.1 trillion in 2000 to an estimated $7.1 trillion in 2002), as productive capacities created or controlled through new foreign direct investment flows by transnational corporations continued adding to existing capacities established by earlier flows, furthering the scope of international production by those corporations.

9. Foreign direct investment flows remain highly concentrated, with the 10 largest recipients accounting for 77 per cent of total flows to developing countries. Africa remains a marginal recipient, receiving only $6 billion in 2002, the lowest level in years. Only foreign direct investment to China and several transition economies has continued to increase. As a result of the overall slowdown,

competition for such investment has become fiercer and success in attracting it, and especially benefiting from it, requires increasingly sophisticated and active policy and capacity-building measures.

10. In addition, the unfavourable international political environment has adversely affected specific sectors, such as travel and tourism, central to rising global integration. The new security environment represents a potential threat to globalization. A world in which the movement of people and goods potentially threatens safety is not conducive to rapid integration. Indeed, owing to new security checks and additional costs, goods and people move far less easily than they once did. New security initiatives introduced since the September 2001 attacks, particularly for containerized goods, can significantly increase trade transactions costs for certain developing countries and in some cases even prevent maritime trade from taking place, especially trade in low-value goods from least developed countries.

11. In contrast, significant progress in new technologies in recent years has brought new prospects not only for economic growth but also for poverty reduction and sustainable development. The penetration of information and communication technologies both in the developed and developing economies has continued, albeit at a slower pace, even in this adverse economic environment and the growth of the networked economy is unabated. For example, the number of Internet users worldwide almost tripled in three years, reaching over 600 million in 2002. The trend towards "convergence", including between old and new media, has been accelerating, creating new opportunities, new applications and new forms of competition. The positive correlation between information and communication technologies and growth is also a factor in the remarkable resilience currently demonstrated by some developing economies, such as China, India and the Republic of Korea, among others.

12. However, the gap in access to information and communication technologies, while narrowing between developed and emerging economies, is growing between the latter and least developed and other low-income countries. Africa remains the least connected region in the world with regard to basic telephone lines, mobile phones (whose rate of growth is the highest, though from a low base) and Internet. Nonetheless, for the first time in 2001 the number of new subscriptions to mobile phones in developing countries exceeded that in developed countries, while four times as many new fixed lines were installed in the former than in the latter countries. That trend would indicate that the digital divide might be starting to shrink.

Managing globalization for achieving the Millennium Development Goals

13. The momentum towards better management of globalization depends on political will, policies and perceptions on eventual outcomes as much as on market forces and technological development. Policies are far from irreversible. Hence, the series of collective efforts made by the international community at a difficult economic juncture to live up to its Millennium Declaration commitment vis-à-vis globalization is significant. A global consensus on priorities and policies was forged at the Doha Ministerial Meeting, the Monterrey International Conference on Financing for Development and the Johannesburg World Summit on Sustainable Development. It collectively defined a new global partnership for development

between developed and developing countries based on shared responsibilities and mutual commitment, aimed at accelerating economic growth, reducing poverty and promoting sustainable development.

14. That partnership is based on the full acceptance by developing countries of their responsibility for their own development, emphasizing their need to pursue development-friendly domestic policies. In response, it calls for a range of supportive actions by the developed countries, most notably in the areas of aid, trade, debt, private financial flows, technology transfer and global governance. Strong emphasis is given to the need for coherence, particularly in developed countries' aid, trade and debt policies, as well as for greater national policy "ownership", by Governments and communities.

15. The success of that partnership places an enormous demand on governance, at all levels, and would benefit from the development of a network of global, regional and national institutions, rather than one or a few international institutions. A system based on such networks of global and regional institutions would be both more efficient and more balanced in terms of power relations.

16. The early results of the new partnership are visible in the encouraging recovery in official development assistance (ODA) in 2002. Pledges made in Monterrey will, if fulfilled, provide for further increases in the next few years. Nevertheless, those increases would still fall short of estimates that an additional $50 billion a year in aid over the 2000 level is needed if the Millennium Development Goals are to be reached by 2015. Progress has also been achieved towards improving the effectiveness of aid flows by donors through the simplification and harmonization of procedures.

17. However, the area that perhaps holds the greatest potential remains the Doha Development Agenda, where progress must continue, despite the recent setback in Cancún, Mexico. Effective and meaningful integration of interests and concerns of developing countries into the operation of the multilateral trading system is key to making the system more balanced, development-friendly and equitable. Priority issues are the reduction, with a view to the phasing out, of subsidies and other barriers that limit market access to the products from the developing countries; the movement of natural persons of the provision of services (Mode 4); and operationalization and enhancement of "special and differential treatment" for poorer countries, especially least developed countries. Indeed, agricultural subsidies in developed countries, at over $300 billion annually, dwarf the amount spent on ODA (by five and a half times).

18. Overall, to date the negative effects of the economic slowdown have outweighed the benefits from the global partnership. In part, that is because progress at the multilateral level has largely involved commitments, most of which have yet to be met. **The challenge to the international community and all stakeholders is to ensure that the new momentum that has characterized the development debate during the first years of the twenty-first century is maintained and translated into action to achieve the Millennium Development Goals. The successes achieved at the conferences in 2001 and 2002 will evaporate if the work programmes that they established and the commitments they embodied are not fully, effectively and promptly implemented.**

19. At the regional level, there has been an acceleration in the formation of bilateral or regional free trade agreements and widening and deepening of existing free trade areas or customs unions among developed countries, developing countries and countries in transition, as well as increasingly between developed and developing countries or countries in transition. Consequently, more than half of world trade now occurs within existing or forthcoming free trade agreements. Deepening of integration among developing countries can provide benefits for the countries concerned and further opportunities for increased South-South trade and their greater participation in the world economy.

20. However, the proliferation of free trade agreements may also create a complex web of competing jurisdictions that could ultimately restrain rather than promote faster trade growth, while undermining the non-discrimination principle of the multilateral trading system. In their quest for gaining increased access to developed countries' markets, developing countries may agree to concessions that they would not necessarily accept in the multilateral context, dealing as a group. Negotiations of bilateral and regional free trade agreements also additionally burden the limited negotiating capacity of many developing countries. **Developing countries participating in North-South regional trading arrangements should not be subjected to "WTO-plus" obligations and should be provided with special and differential treatment. It is also essential that negotiations on free trade agreements do not undermine ongoing multilateral negotiations. Beyond trade liberalization and common trade rules, there is a strong need for regional macroeconomic and financial cooperation, strengthening of regional institutions and harmonization of regulatory regimes.**

21. Ultimately, the pace of globalization slowed, but did not reverse. While not unalterable, globalization is a deeply rooted phenomenon. National policies, including on trade, finance, knowledge, technology and investment, are key to a country's beneficial integration in the global economy and its impact on poverty reduction and sustainable development. They are also critical for minimizing the risks associated with instability in the spheres of trade and, especially, finance and the risks of exclusion for countries ill-prepared to compete in the global market. Experience has shown the existence of a range of different modalities of integration pursued by industrialized and developing countries alike.

III. Globalization, poverty reduction and sustainable development

A. Linkages between trade, investment, technology and the Millennium Development Goals

22. The link between globalization, growth and poverty is not clear-cut and generalization is difficult (see box). As world leaders recognized at the Millennium Summit, the key question in the globalization debate is not whether globalization has been good or bad for poverty, or whether it should be reversed. It is how to manage globalization so that poverty can be reduced and development goals achieved. Indeed, the challenge today is to ensure that the powerful economic and technological processes that underlie globalization are consistent with the Millennium Development Goals and other development goals.

23. The increasing linkages between trade, finance and technology have a major impact on key development goals, such as poverty reduction and sustainable development. Accordingly, the coherence between monetary and financial policies with trade policy, and of both sets of policies with development goals, has taken centre stage on the international agenda.

24. The new international partnership launched at Monterrey translated those interlinkages into mutual commitments. For growth to be revived and progress towards the Millennium Development Goals sustained, countries have to coordinate better their macroeconomic policies. Developing countries also continue to be more vulnerable to external shocks. They have only limited means to cope with them and little room for adopting counter-cyclical policies. A comprehensive approach is needed — as outlined in the Monterrey Consensus — to ensure the more stable access of developing countries to international financial markets.

25. The Monterrey Consensus recognizes that trade is in many cases the single most important external source for development financing. By expanding markets, disseminating knowledge and providing exposure to new technology, trade can create opportunities for growth and progress towards the Millennium Development Goals. Market access is an essential condition for enabling developing countries to develop and compete. Yet, it is not enough. Developing countries gain less from trade than industrialized countries. That is partly due to declining commodity prices and their specialization in low value-added exports. It is difficult for developing countries to enter technologically dynamic sectors, as technical progress is concentrated in industrialized countries. Those special situations must be taken into account in the ongoing trade negotiations.

26. The links between information and communication technologies, trade, finance and development have received growing attention. The pace of technological change, especially in the information and communication technologies sector in recent years, has led to revolutionary changes in the processing and dissemination of data and to the emergence of an information society, with a profound effect on production, services, organization of labour and the environment. Information and communication technologies have enabled the acceleration of global integration of production processes. Through the use of information and communication technologies, companies have been able to set up global production and service networks and, in the process, link numerous small and medium-size enterprises, including in the developing countries and in economies in transition, to the global marketplace.

27. The speed of global technological and economic transformation demands urgent action on a global scale to turn the digital divide into digital opportunities for all. That divide remains a great barrier to world trade among developed and developing countries. Enterprises that do not adopt e-business practices risk losing competitiveness and market shares. However, for the majority of developing countries the benefits of e-commerce remain a potential to be realized. In order to prevent further marginalization and the exacerbation of the digital divide, it is vital to ensure developing countries effective and affordable access to information and knowledge. Provided institutions, human resources and capabilities are available, the information and communication technologies media can provide a powerful tool to leapfrog the existing development gap. Precisely because such technologies have the power to transform production processes, commerce, Government, education

and citizen participation, it can create substantially new sources of economic growth and social development. Harnessing the potential of information and communication technologies to help countries reach key development goals, including those agreed upon at the Millennium Summit, remains a major challenge for the future.

28. Information and communication technologies should not be seen as a panacea for all development problems. Nor should they be seen as a stand-alone solution, but rather as a complement to ongoing development investments, including in the necessary technological skills and human resources. Moreover, technology produces the best results only when accompanied by organizational change. Major advances in information and communication technologies, combined with rapid growth of global networks that are inclusive, offer enormous opportunities to narrow social and economic inequalities and support sustainable local wealth creation, and thus help to achieve broader development objectives, including the Millennium Development Goals.

29. The upcoming World Summit on the Information Society is the first summit to focus on the critical issues of the use and dissemination of information and knowledge through information and communication technologies in development programmes and policies. It will provide a unique opportunity to shape the future of the information society and help develop an inclusive and universal approach to it, with the achievement of the Millennium Development Goals placed at the centre. To that end, the United Nations Information and Communication Technologies Task Force is contributing actively to the preparatory process of the summit, helping to build a common platform for action by the public and private sectors and civil society and promote broad agreement to accord high priority to information and communication technologies in international development cooperation policies and programmes to support national efforts to develop and implement e-strategies.

30. **Continued efforts should be made to facilitate the access of developing countries to information and communication technologies. It is also important that intellectual property rights protection systems give scope for developing countries to build their own productive capacity. International forums should be created for technological innovations. They could help set priorities on research and development to meet the technological and information and communication technologies needs of developing countries.[3] The Assembly could also recommend that all stakeholders harness the unique opportunity offered by the World Summit on the Information Society to mobilize information and communication technologies for realizing the development agenda.**

B. Mutual review of the impact of policies on Millennium Development Goals

31. There is a large degree of agreement on many measures for gearing globalization towards internationally agreed development goals. Governments defined them, notably at Monterrey, Johannesburg and earlier major United Nations international conferences and summits. What is needed now is a sustained effort to implement those commitments and ensure that the Millennium Development Goals are at the centre of trade, finance and other policies.

32. Regular assessment of the fulfilment of the agreed goals and commitments can help to take stock of progress made. It can mobilize political will and spur action. Because of their high legitimacy and political attraction, the Millennium Development Goals provide points of references for such evaluations. At the national level, countries have started to prepare national reports with the help of United Nations country teams to keep track of progress towards the Goals. Some developed countries have informally indicated their intention to report on their own progress towards fulfilling their development commitments. Meanwhile, the General Assembly conducts annual reviews of progress at the global level and a comprehensive review is planned for 2005.

33. To supplement those efforts, **consideration should be given to developing arrangements for mutual review of policies and programmes at the subregional, regional and international levels in support of agreed development goals and commitments**. In a way, such arrangements are already being put in place in some instances. Peer review mechanisms have been set up by African countries in the context of the New Partnership for Africa's Development. Similar mechanisms could be emulated in other regions. For example, such mutual policy reviews could take place in the context of subregional or regional economic groupings in Asia and Latin America. Likewise, **such arrangements should help developed countries to enhance mutual surveillance of the impact of their economic, financial and trade policies on the Millennium Development Goals. For instance, the process of peer reviews on aid of the Organisation for Economic Cooperation and Development/Development Assistance Committee could be expanded to include trade, debt relief and other economic policies also, as proposed in the Human Development Report 2003. The Assembly could invite developed countries, developing countries and economies in transition to consider, in the context of their regional or subregional arrangements, reviewing the contribution of their national financial, trade, aid, debt relief and other policies on the realization of development goals and commitments. Such mechanisms may involve civil society and the private sector, in the light of their key role in the realization of the Millennium Development Goals.**

34. Similarly, some developments are already taking place at the multilateral level, including the programme reviews undertaken by the joint meetings of the Executive Boards of the United Nations Development Programme/United Nations Population Fund, the United Nations Children's Fund and the World Food Programme and the World Bank's monitoring proposals. Such developments would need to be built upon by **United Nations system organizations at a broader level to undertake mutual reviews of the impact of their work on the Millennium Development Goals. International financial institutions should also be part of such mutual evaluation exercises, as should WTO. The Economic and Social Council, owing to its role in coherence and coordination, and in the follow-up of the Monterrey and Johannesburg conferences, could contribute to such reviews. One possibility, which the United Nations System Chief Executives Board for Coordination could consider, would be the creation of a working group of heads of organizations to make suggestions on such arrangements.**

C. Linkages between international migration, financial flows, especially workers' remittances, and trade

35. Linkages between finance, technology and trade play an important role in realizing the benefits of international migration. While migration is not a new phenomenon, it has become a global one, both across and within regions and not exclusively in a South to North direction: 40 per cent of migrants are in developing countries. Approximately 175 million persons, or about 3 per cent of world population, currently live outside their country of birth and their number has more than doubled since 1975. International migration has broad economic, social and security ramifications for both the countries of origin and the countries of destination. While it carries great potential in terms of development, employment and wealth generation, it also presents numerous challenges, including in areas such as brain drain and brain gain, unemployment, racial discrimination, xenophobia, human trafficking, human rights protection and national security.

36. At present, there is a manifest discrepancy between the high degree of mobility of capital (an estimated $1 trillion crosses borders on a daily basis) and the limited international mobility of labour, especially among low-skilled workers. In recent decades the emphasis in receiving countries has been on policies aimed at curbing immigration — a trend that gained momentum in the wake of the terrorist attacks of 11 September 2001. Around 40 per cent of all countries have policies in place to limit immigration. Nonetheless, policy makers in those countries are becoming increasingly aware of the potential benefits of migration and of the need for comprehensive policies that maximize its contribution to alleviating labour shortages in their countries and reducing poverty and achieving sustainable development in home countries.

37. Globalization is affecting the character and impact of migration. Lower travel costs, information and communication technologies and financial liberalization have made migration much more viable, the transfer of money and technology that is a result of migration much easier and temporary and circular migration more prevalent. In turn, tourism, transportation, telecommunication and the transfer of remittances have opened a range of commercial opportunities that — coupled with trade liberalization — enhance trade and investment links between countries of origin and destination. Demand for telecommunications products and services between the communities living abroad and their home countries has been spurred. For example, the volume of calls from the United States to Central America and the Caribbean has increased as the linkages have strengthened, with the diasporas opening opportunities for business expansion and investment in cellular telephony, Internet and electronic mail industries.

38. Workers' remittances are the most visible economic product of international migration. The steadily growing flow of official remittances reached an estimated $80 billion in 2002. Yet the real value of remittances is even greater, as further large (and unknown) sums are transferred through informal channels and thus go unrecorded. Not only are remittances critical as a source of foreign exchange for many labour-exporting countries, second in importance only to foreign direct investment and much larger than official development assistance, they are also vital to the consumption and investment behaviour of migrant households themselves in the countries of origin, including as an important social safety net for poor families. In addition, remittances are less volatile and less concentrated than private capital

flows. They are also larger, as a share of GDP and imports, in low-income countries than in other developing countries. At the same time, remittances can encourage consumption of imported goods and create dependency among migrants' households in the countries of origin.

39. Evidence suggests that remittances help to reduce poverty and improve household welfare through their common use for education and health-care purposes. Surveys in India, Latin America and the Caribbean show that poverty rates are lower and saving rates higher in emigrant households. Remittances are productively invested in microenterprises, used to build housing and local infrastructure, such as schools and clinics, to buy land or materials to work the land or seeds to plant. Owing to substantial multiplier effects, even consumer use of remittances stimulates economic development, particularly when households spend their remittances locally.

40. Government policies can promote further growth of remittances and their possible effects on socio-economic development. Transaction costs through official channels are much higher than through informal systems such as "hawala" or "hundi" and often exceed 20 per cent. Moreover, official channels often lack the reach to the rural areas of the countries of origin that informal systems have. **Harmonization of remittance systems**, such as the one recently announced between Mexico and the United States; **increased competition among banks and wire transfer agencies; participation of alternative financial institutions in the transfer business**, such as microfinance institutions and credit union cooperatives; **and technological improvements**, such as the use of debit/ATM (automated teller machine) cards by recipients, **are starting to reduce transaction costs and expand access in some markets, but, need to be more widely promoted. Strengthening of the financial infrastructure and sound exchange, monetary and fiscal policies can further augment official remittance flows. Finally, an environment that minimizes macroeconomic uncertainty, fosters good governance and ensures the transparency and standardized regulation of financial institutions is critical to stimulating investment of any type, including remittances.**

41. Other kinds of financial flows associated with migration also have great development potential and contribute to the integration of countries into the global economy. Foreign direct investment from emigrants back to their countries of origin is already important for some countries. Tourism from immigrant communities to the home country is also rising. Philanthropy by "home town associations" (Mexico), "returnee associations" (Jamaica), charitable foundations (Egypt) or by individual expatriates provides significant resources for community development at the local level. Nostalgia for foods and products of the country of origin creates markets for those products in the country of destination, promoting local production and international trade. Such interactions are fostered by the growth of transnational networks that sustain deep relations among migrants, their countries of origin and the countries in which they have settled. Those transnational networks are today an essential developmental resource associated with international migration.

42. Facilitating international labour mobility would greatly increase remittance and related financial flows to developing countries and foster progress towards the achievement of the Millennium Development Goals. In that regard, Mode 4 of the General Agreement on Trade in Services (GATS), allows for greater freedom for the "temporary movement of individual service providers". Rather than facilitating the

movement of unskilled labour between countries with a surplus of such labour (developing countries) and those with a deficit (industrial countries), the actual commitments in GATS on the movement of natural persons focus on professionals. The international community should give further consideration to the establishment of concrete measures and time frames for facilitating the temporary movement of natural persons, especially unskilled workers, and their eventual integration into receiving countries.

43. Ultimately, migration should not be seen in isolation from the other manifestations of globalization. Rather, it should be recognized as an important element for the overall management of globalization — as its impact on production and development in the countries of origin and destination is substantial and multifaceted. Labour migration should be fully included in the international development agenda. **The General Assembly could promote further discussions on those issues at the multilateral level and greater coordination and cooperation among the relevant international organizations. Consideration should be given to a new mechanism to help mobilize attention, assemble expertise, deepen understanding and identify areas of emerging consensus. Those steps could encourage joint measures, including at the regional level, by countries of origin and destination, such as providing free and accessible information about the movement of labour; guaranteeing basic human rights to all foreign nationals; standardizing or harmonizing qualifications and experience with the help of agreements; and allowing transferability of pension and social security benefits. The Assembly should also encourage Member States — especially countries of destination — that have not yet done so to ratify the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, which entered into force in July 2003, and the International Labour Organization (ILO) Migration for Employment Convention, 1949 (No. 97), and the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143).**

D. Increasing linkages between corruption, organized crime, trafficking, arms trade and terrorism and measures to reduce their negative impact on growth and development

44. The growth in volume and reach of global criminal activity across national borders in recent years has been paralleled by important shifts in the nature of organized crime. While, in the past, criminal groups were more likely to resemble relatively hierarchical structures, with clear lines of command and identifiable leadership, that is less often the case today. Criminal enterprises are now as likely to resemble complex networks that may overlap with other criminal operations.

45. The illegal activities of such criminal groups and networks span a number of areas. Drug trafficking remains in most regions a critical generator of profit for most groups, although it is increasingly common for criminal groups and networks to smuggle a wide variety of illicit commodities, such as stolen goods, firearms, natural resources, as well as human beings. Such illegal activities of criminal enterprises often cross into the world of legitimate commerce, also because the vehicles and instruments for illicit trafficking are almost always the same as for legitimate business (e.g. commercial shipping and trucking containers).

46. The key challenge therefore is to stem the tide of illicit trafficking without unnecessarily disrupting the flow of commercial activity. Responding to such a challenge requires far higher levels of regional and international cooperation between law enforcement agencies than has previously been the case. The United Nations Convention on Transnational Organized Crime, which came into force on 29 September 2003, and its three Protocols on trafficking in persons, smuggling of migrants and trafficking in firearms, serves as the key international instrument in building a global response to the problem, including the promotion of greater cooperation between States to combat it. **The General Assembly should call upon Member States to ratify the Convention and its Protocols as a matter of priority.**

47. Not only does organized crime take advantage of the rapid changes brought by the process of globalization, but its growth is also spurred — paradoxically — by features common among regions and countries often isolated from those trends. In such cases, organized criminal groups have used the lack of effective State structures and the opportunities provided by unregulated economies to enlarge their scope of operations. Such areas are often dominated by political instability and conflict. In many of those conflicts, the operations of terrorist and guerrilla groups have become closely intermeshed with those of organized crime, with criminal groups supplying resources to terrorist or guerrilla groups in exchange for protection.

48. **In the case of weak or conflict-ridden States, greater focus should be directed to organized crime and its links with corruption and terrorism as well as the trafficking in illicit commodities. In new and fragile democracies, greater efforts should be made to identify the development of organized crime earlier on. In addition, the General Assembly should urge Member States to ratify and implement the Organization's universal instruments against terrorism and its financing, as well as the Convention against Corruption, to be signed in December 2003.**

49. Apart from national Governments and organizations at the regional and global level, the private sector is a key partner in the fight against organized criminal and related activities. Its cooperation is essential to ensuring that legitimate commerce is effectively regulated and that the highest standards of integrity are maintained in international business exchanges in line with the broad principles of the Secretary-General's Global Compact.

50. Emphasis on the rule of law, the integrity and independence of the judiciary and the effective regulation of economic activities in all countries is a precondition for preventing organized crime, corruption and associated links with terrorism. Such links were clearly emphasized in Security Council resolution 1373 (2001). However, **their full nature and extent are not yet well understood and more research is required to determine the implications of such linkages**.

51. While there is no simple causality, evidence shows that organized crime, corruption, as well as terrorism tend to hinder pro-poor development and that underdevelopment, social exclusion and instability in turn provide fertile ground for such activities to flourish. Economic growth is undercut in environments where the rule of law is absent and, as a result, commercial investments have little security or prospect for growth. That has a serious impact on the population of those regions, most clearly illustrated by low or negative levels of economic growth, but also in a

range of other social and psychological costs engendered by criminal victimization (or the fear of it).

52. In the context of globalization, the effects of widespread criminal activity in such States can no longer be isolated from the rest of the world. Weak States may serve as the springboard for both criminal and terrorist operations aimed especially at other countries, often in the developed world, where the major markets for illicit goods — be they drugs or trafficked human beings — are to be found. More than ever before therefore there is a global community of interests in tackling such problems effectively.

53. Since 11 September 2001, international cooperation in the fight against terrorism has seen considerable advances, including through the efforts of the Security Council's Counter-Terrorism Committee, established by resolution 1373 (2001). Information sharing has increased; States are doubling joint efforts to stifle financing to terrorist organizations and money-laundering; fund-raising among diaspora communities is more tightly monitored; extradition of terrorist suspects is swifter; and joint training in counter-terrorism and initiatives to harmonize disparate judicial systems have also expanded. **Learning lessons from past experience and identifying the best ways of coupling successful counter-terrorism strategies with a vigorous defence of human rights remain a major challenge for the international community. A broader strategy aimed at the roots of those problems must also promote greater human security and empowerment, as well as the strengthening of a genuine rights-based culture that promotes economic, social and cultural rights, together with civil and political rights in an indivisible whole.**

E. Linkages between globalization of production patterns and environmental protection and sustainability

54. Increased trade, foreign direct investment, technology transfer and electronic communications, as well as cultural exchange, have an important impact on sustainable development as consumption and production patterns become increasingly global. In some developing countries, rapid industrialization and integration into international production systems and markets, supported by foreign direct investment, have led to both improved standards of living and environmental degradation. In some sectors, such as petroleum and mining, extractive operations have caused severe environmental damage, including discharge of toxic materials into rivers and inadequate disposal of hazardous wastes.

55. In general, however, there is little evidence that shifts in production from developed to developing countries have been accompanied by more polluting production practices (the "pollution haven" hypothesis). In some cases, globalization of production is accompanied by the introduction in developing countries of cleaner production technologies and eco-efficient management strategies through the operations of multinational companies and their suppliers. In some countries, foreign direct investment is guided towards sectors that are less resource intensive and with higher value added. In such cases, globalization of production can have a beneficial structural effect. In other cases, global economic integration has resulted in greater specialization of some developing countries in natural resource extraction, with resource depletion and environmental degradation.

56. Many developing countries, including those with net trade benefits from globalization, face a dilemma: on the one hand, polluting production continues, particularly in small and informal sector enterprises; on the other hand, they are unable to make or attract investments needed to improve environmental performance. That situation is exacerbated by overproduction, a prominent structural effect of globalization, particularly in sectors where significant trade distortions persist, or for which barriers to entry and exit are low. For example, in the agricultural sector, production-related subsidies and domestic support in developed countries create artificially high levels of supply in global markets, which lead to world prices for goods that are lower than production costs in many developing countries. To maintain income levels in the presence of declining world prices, producers in those countries are forced to increase output, often by exploiting natural resource bases beyond sustainable limits.

57. For many manufacturing industries, overproduction often results as producers throughout the world independently seek to supply global production chains and capture newly accessible global markets. Trade distortions in the form of non-tariff barriers to trade, which block goods at borders when they do not meet product requirements and standards in the importing country, can also lead to trade diversion from intended markets to secondary markets, resulting in oversupply and depressed prices in the latter. In such cases, sustainability is compromised to the extent that goods in oversupply are associated with production techniques that negatively affect the environment.

58. Regarding climate change, globalization is resulting in increased freight transport and personal travel, contributing to higher consumption of fossil fuels and increased air pollution and carbon dioxide emissions. Information and communication technologies continue to develop rapidly and while such technologies have the potential to reduce energy and material consumption, the evidence to date seems to indicate that increased use of electronic media and communications tends to stimulate increased paper and energy consumption.

59. In addressing the linkages between globalization and sustainable development, particular focus should be placed on identifying and implementing policies and practices that simultaneously promote economic growth, social development and environmental protection. That will require efforts at both national and international levels.

60. **At the national level, efforts to make globalization of production more sustainable should include an integrated mix of regulation, economic incentives, dissemination of cleaner technologies, improved management systems, training and improving working conditions.** Experience in many countries offers examples of such policy mixes that increase productivity while reducing environmental impacts.[4]

61. **Government support for more sustainable production, including support by both source and recipient countries in the case of international production systems, can facilitate the transfer of environmentally sound technologies, particularly to small and medium-size enterprises and to countries that have not participated in the growth of foreign direct investment and trade. Public pressure arising from environmental and social concerns can also encourage enterprises to adopt environmentally and socially responsible behaviour to improve their public image.**

62. The development and implementation of effective environmental standards are also important. In all countries, environmental damage almost always hits poor people hardest. Environmental standards can also bring indirect benefits to poor people. Compliance with certain environmental requirements translates into clean production processes, better working conditions and fewer workplace hazards. Those results may enhance labour productivity and improve efficiency, thereby increasing both growth and income.

63. Environmental degradation rarely stops at national borders, yet many environmental policies and institutions do. International watersheds, fisheries, pollution and climate change pose environmental policy challenges that must be addressed by countries working together — because the actions of one country affect the welfare of others. Compounding the problem are the unequally distributed benefits of environmental services and the costs of managing them within and between countries.

64. **There is considerable scope for policies and measures at the international level to harness the market power of globalization for promoting sustainable production and consumption patterns. They include strengthening technology transfer commitments under multilateral environmental agreements and providing more favourable terms for technology transfer under multilateral trade agreements to assist developing countries in their implementation of sustainable production methods; increasing bilateral and multilateral assistance and forging new public-private partnerships, aimed at building the capacities of developing countries to finance and further develop environmental technologies and services; eliminating domestic support and subsidies in developed countries to agriculture, fisheries, mining and other natural resource-based economic sectors; ensuring that international agreements to address cross-border pollution and ecosystem degradation share burdens equitably and the benefits of better environmental management accrue to the local people who bear the direct costs and lost opportunities of environmental resource protection.**

65. **The development of new funding sources and markets for global public goods, including climate stability, the ozone layer and biodiversity, can provide additional financial resources for sustainable development.** The Global Environment Facility and the Multilateral Fund of the Montreal Protocol on the protection of the ozone layer are important funding mechanisms for that purpose. The Clean Development Mechanism, emissions trading schemes and joint implementation under the Kyoto Protocol could also provide substantial new resources for sustainable development.

66. On the basis of the outcome of the 2002 Johannesburg Summit, efforts to promote sustainable consumption and production in the context of globalization have been addressed by the United Nations system through the development of a 10-year framework of programmes in support of regional and national initiatives to accelerate the shift towards sustainable consumption and production. **Regional forums for negotiating, implementing and assessing environmental legislation, such as the United Nations regional economic commissions, can provide an important contribution to creating environmental rules that can counter environmental threats from the globalization process.**

Box

The effects of globalization: a need for clarity

What has been happening to the living standards of poor people in the world lies at the heart of the globalization debate. A priori assumptions and ideological factors typify the discussion on globalization and they often give rise to biased interpretations. Markedly different claims have been heard within the development community about how much progress is being made against poverty and inequality in the current period of globalization.

The sharply differing positions taken in that debate often stem at least partly from differences in the concepts, definitions and indicators used and in different measurement assumptions, levels of aggregation and data sources.[5] To properly interpret the evidence and promote a more productive debate, those differences cannot be ignored. A first distinction that leads to different outcomes is between the concepts of absolute and relative poverty. The more a measure emphasizes relative deprivation, the less impact economic growth will have on its value. A second distinction is between absolute and relative inequality. While the former depends on absolute differences in levels of living, the latter depends on the ratios of individual incomes to the overall mean. So, if all incomes grow at the same rate, then relative inequality is unchanged, but absolute inequality has risen. For example, given existing inequality, the income gains from distribution-neutral growth for the richest 10 per cent of the population in India will be about four times higher than for the poorest 10 per cent; it will be 15 to 20 times higher in Brazil and South Africa. Empirical evidence shows that absolute inequality tends to rise with growth and fall with contractions. In contrast, there seems to be virtually no correlation between changes in relative inequality and rates of economic growth.

Another important distinction is between monetary measures of poverty — "income" or "consumption" poverty — and non-monetary measures, which take into account different aspects of well-being. The latter focus on poverty as a multidimensional phenomenon that includes not only market-based consumption but also the provision of goods and services and access to resources. That broader approach also considers living conditions, including aspects of health and nutrition, education and the environment. For instance, the concept of social exclusion, which involves several dimensions of deprivation and participation, has attracted increasing attention.

Apart from leading to different outcomes, a focus on the social dimensions of poverty may change the emphasis of policy responses and broaden the range of policy tools. However, while statistical measures exist for international comparison and global trends assessment of monetary poverty, the concept of social exclusion is not easily defined at the international level, being largely determined by national circumstances and cultural environment. The Millennium Development Goal measurement framework integrates the monetary measurement of

poverty with all main aspects of social deprivation — including education, health and mortality, work and environment.

Different conclusions can also stem from different data sources and measurement methods (i.e. household surveys versus national accounts). The use of national accounts tends to show a higher rate of poverty reduction over the last 20 years than the survey-based method.

To measure progress towards the attainment of target 1 of the Millennium Development Goals (i.e. to halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day), experts from the United Nations Secretariat, the World Bank, the International Monetary Fund and OECD identified three indicators. They are the proportion of the population living below $1 a day in 1993 prices and purchasing power parity terms; the poverty gap ratio (the mean shortfall from the poverty line, as a percentage of the poverty line), which reflects the depth and incidence of poverty; and the share of the poorest quintile in national consumption. While no aggregate estimates are available for the latter two indicators, data on the proportion of people living on less than $1 a day show a decline during the 1990s from 30 to 23 per cent, largely determined by progress achieved in China and India. Yet, progress was far from uniform, with sub-Saharan Africa, western Asia and the transition economies actually suffering setbacks.[6]

The links between globalization or growth and poverty are complex. That should not overshadow the fact that global income inequality and poverty are at intolerable levels. In addition, there has been an increase in inequality within many countries. In that regard, the impact of policies on poverty and inequality cannot be overemphasized. National development strategies to integrate in the world economy must be grounded in national and local priorities determined in participatory and democratic ways based on strong social covenants and political stability. For those strategies to succeed, the international policy environment needs to become more favourable to agreed development goals.

IV. Conclusions

67. The promises of new partnerships of recent conferences and summits, and those of the Doha Ministerial Meeting for a development round, provide unique momentum for gearing globalization towards the realization of the Millennium Development Goals. Governments, international organizations, business institutions and all actors of civil society must take new steps to ensure that the measures and policies they adopt in areas such as finance, trade, science and technology, population and migration are supportive of the Goals and of the developing countries' integration in the world economy. Putting the Millennium Development Goals and other development goals at the centre of economic institutions and policies is a critical way to confront the centrifugal forces that come from globalization. The General Assembly has an important role to play in maintaining the focus on that endeavour.

68. **The Assembly could give guidance for continuing the international debate on the governance of globalization at a high level, following the conclusion of the work of the ILO Commission on Globalization. There is a need to deepen the debate on globalization by a more in-depth consideration of its specific aspects. Next year's report on globalization could thus focus on a more specific aspect of globalization, such as institutional and systemic issues, the social aspects and impact of globalization, or building and surveilling policy coherence in a globalizing world.**

Notes

[1] See World Economic and Social Survey 2003 (United Nations publication, Sales No. E.03.II.C.1), chap I.

[2] Ibid., table A.15.

[3] Human Development Report 2003 (United Nations publication, Sales No. E.03.III.B.1), p. 24.

[4] See: "Global Status 2002: Cleaner Production", United Nations Environment Programme, 2002 (www.uneptie.org/pc/cp/library/home.htm).

[5] For a more detailed discussion of the issue see: Martin Ravallion, "The debate on globalization, poverty and inequality: why measurement matters", World Bank Policy Research Working Paper, No. 3038, April 2003.

[6] For details, see the report of the Secretary-General on the implementation of the United Nations Millennium Declaration (A/58/323).